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TAGS: EFIN ECON IBRD IV PREL
SUBJECT: FRENCH ECONOMIC COUNSELOR ADDRESSES COTE
D'IVOIRE'S DEBT TO WORLD BANK

REF: ABIDJAN 1099

Classified By: DepPolEconChief EMassinga, Reasons 1.4 (b,d)

¶1. (SBU) Econ Chief met with French Economic and Commercial Counselor Jean Dolle at the French Embassy on November 8. Dolle began by discussing French economic interests in Cote d'Ivoire, which, despite the political crisis and its resultant effects on the economy, remain strong. Economic activity generated by French companies and their subsidiaries constitute, according to statistics provided by Dolle, 30% of Cote d'Ivoire's GDP, and these companies pay over 50% of all business taxes. Dolle said that Cote d'Ivoire and France would likely maintain close economic links, and that French companies, despite having to "do what they have to do" to remain profitable in the Ivorian environment, provide legal structures and norms to the Ivorian economy in a way that Lebanese business enterprises (which have grown in importance since the events of November 2004), for example, do not.

¶2. (C) In discussing the question of Cote d'Ivoire's arrears to the World Bank, Dolle clearly indicated that France is anxious to see reengagement with the IFIs and was accordingly somewhat upbeat on Abidjan's progress on the three-pronged conditionalities required. Aside from movement on the peace and security front (where Dolle said things were moving in the right direction until August), Dolle said Cote d'Ivoire made some progress reducing the "opacity" in both oil/gas and cocoa accounts through the creation of governmental committees designed to oversee the flow of funds. Pressed, Dolle conceded that whether these committees are actually effective performing their tasks is open to question.

¶3. (C) Turning to the arrears, the final prong in IFI's conditionalities formula, Dolle was initially optimistic about the government's progress, touting its bond floatation in May and June. Pressed, he acknowledged that the funds raised are not sufficient to repay the arrears, which continue to mount, and that increasingly the chances that the Ivorian government will actually pay the debt is remote. In discussing alternatives Dolle freely stated that Paris is "flexible" on the question of partial payments, willing to consider either a "down payment" or accepting what has been raised so far and negotiating a solution for the rest. (Note: Econ Chief reported Washington agencies' discomfort with such an approach. End note) Dolle did indicate doubts as to whether the government would be able to keep itself from eventually spending the money as it did in 2005, despite the fact that it is ostensibly in an escrow account at the BCEAO. (Note: Econ Chief heard separately from a well-placed German diplomat that Berlin would not be well disposed to accepting partial payment of the arrears. However, EU solidarity could play a decisive role should the question come before the WB's Board. End Note)

¶4. (C) Addressing the question of the permanent location of the African Development Bank, Dolle said Paris supports the eventual return to Abidjan, and was unaware of any plans or ideas to distribute the HQ functions to different cities.

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